

## Message Text

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ACTION EUR-08

INFO OCT-01 SS-14 ISO-00 NSC-05 NSCE-00 SP-02 EB-03 OMB-01

TRSE-00 INR-05 CIAE-00 PM-03 DODE-00 PRS-01 USIA-01

SAJ-01 L-01 /046 W

----- 107708

R 221751Z JUL 76

FM AMEMBASSY BONN

TO SECSTATE WASHDC 0619

INFO AMEMBASSY BRUSSELS

AMEBASSY COPENHAGEN

AMEMBASSY THE HAGUE

AMEMBASSY LISBON

AMEMBASSY LONDON

AMEMBASSY LUXEMBOURG

AMEMBASSY OTTAWA

AMEMBASSY PARIS

AMEMBASSY ROME

USMISSION NATO BRUSSELS

CINC USAFE RAMSTEIN

CINC USAREUR HEIDELBERG

CINC EUR VAIHINGEN

USNMR SHAPE

USMISSION USBERLIN

AMEMBASSY WARSAW

S E C R E T SECTION 01 OF 03 BONN 12389

LIMDIS

E.O. 11652: GDS

TAGS: PFOR, NATO, EEC, IT, GW

SUBJECT: THE GERMAN GOVERNMENT AND POLITICAL PARTIES

VIEW ITALIAN DEVELOPMENTS

BEGIN SUMMARY: CHANCELLOR SCHMIDT'S STATEMENT THAT

GERMANY WILL NOT AID ITALY IF THE PCI PARTICIPATES IN

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THE ITALIAN CABINET HAVE, ALONG WITH THE GERMAN ELECTION

CAMPAIGN, TEMPORARILY OBSCURED THE MORE COMPLEX GERMAN RANGE OF REACTIONS REGARDING ITALY. THE GERMANS WANT TO HELP THE NON-COMMUNIST FORCES, BUT ARE NOT SURE HOW TO DO THIS, AND SOME SOCIAL DEMOCRATIC ELEMENTS HERE HAVE CONTACTS WITH, AND UNDERSTANDING FOR, THE PCI. ALL THIS WILL REMAIN CONCEALED AND CONGEALED UNTIL THE GERMAN ELECTION ON OCTOBER 3, BUT MAY BEGIN TO BUBBLE TO THE SURFACE AFTER THAT. END SUMMARY.

1. THOUGH CHANCELLOR SCHMIDT'S LATEST COMMENTS REGARDING ITALY HAVE RECENTLY AROUSED CONTROVERSY HERE, THE PREVAILING GERMAN REACTIONS TO ITALIAN DEVELOPMENTS ARE MORE COMPLEX AND SUBTLE THAN THE HEADLINES SUGGEST. THEY CUT ACROSS ALL PARTIES AND ARE NOT ONLY FOCUSED ON IMMEDIATE POLITICAL IMPACT HERE, ALTHOUGH THAT IS OBVIOUSLY NOW UPPERMOST IN EVERYBODY'S MIND.

2. THE DO FERMEN REACTIONS TO THE RECENT ITALIAN

ELECTION AND TO THE GENERAL ITALIAN POLITICAL SITUATION HAVE BEEN RELIEF, UNCERTAINTY AND FRUSTRATION: RELIEF THAT THE ITALIAN COMMUNISTS DID NOT GET INTO THE GOVERNMENT YET; UNCERTAINTY ABOUT WHAT WILL HAPPEN AND WHAT CAN BE DONE ABOUT IT; FRUSTRATION BECAUSE THERE SEEMS LITTLE THAT GERMANY CAN DO TO AFFECT DEVELOPMENTS THAT COULD HAVE A CONSIDERABLE IMPACT FOR GERMANY AND FOR THE INTERNATIONAL ORGANIZATIONS THAT IT VALUES.

3. THE SOCIAL DEMOCRATS (SPD), AS THE GOVERNING PARTY HERE, HAD MOST TO LOSE AND HAS THE MOST COMPLICATED ATTITUDE TOWARD THE PCI. THE SPD NIGHTMARE WAS THE EMERGENCE OF A POPULAR FRONT THAT INCLUDED THE ITALIAN SOCIALISTS AND COMMUNISTS. THIS DID NOT HAPPEN. THEREFORE, THE SPD HAS BREATHED A SIGH OF RELIEF FOR THE TIME BEING. EVEN THE FORMATION OF AN ALL-PARTY ITALIAN GOVERNMENT INCLUDING THE PCI WOULD NOT BE AS DETRIMENTAL FROM THE SPD STANDPOINT.

4. ON THE OTHER HAND, THE SPD DOES NOT KNOW WHAT TO DO NEXT. IT HAS LITTLE RESPECT FOR THE ITALIAN SOCIALIST

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PARTY, REGARDING THAT PARTY AS INEFFECTIVE, INCAPABLE OF REFORM, AND LACKING NEW IDEAS OR NEW PERSONALITIES. A SENIOR SPD OFFICIAL HAS TOLD US THAT THE SPD WOULD LIKE TO HELP THE PSI BUT CAN SEE NO USEFUL WAY TO ACCOMPLISH ANYTHING.

5. THE SAME OFFICIAL HAS TOLD US THAT THE SPD MAINTAINS COVERT AND SPORADIC LINKS TO THKWGAINLY--OF

COURSE--TO SEGRE. IT HAS ALSO HEARD SOME GOOD THINGS  
ABOUT THE PCI. FOR EXAMPLE, POLISH LEADER GIEREK  
REPORTEDLY SPOE OF BERLINGUER IN FAVORABLE TERMS DURING

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TRSE-00 INR-05 CIAE-00 PM-03 DODE-00 PRS-01 USIA-01

SAJ-01 L-01 /046 W  
----- 107942

R 221751Z JUL 76  
FM AMEMBASSY BONN  
TO SECSTATE WASHDC 0620  
INFO AMEMBASSY BRUSSELS  
AMEMBASSY COPENHAGEN  
AMEMBASSY THE HAGUE  
AMEMBASSY LISBON  
AMEMBASSY LONDON  
AMEMBASSY LUXEMBOURG  
AMEMBASSY OTTAWA  
AMEMBASSY PARIS  
AMEMBASSY ROME  
USMISSION NATO BRUSSELS  
CINC USAFE RAMSTEIN  
CINC USAREUR HEIDELBERG  
CINC EUR VAIHINGEN  
USNMR SHAPE  
USMISSION USBERLIN  
AMEMBASSY WARSAW

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HIS RECENT VISIT HERE. A RUSSIAN IS REPORTED TO HAVE  
TOLD BRANDT THAT THE DIFFERENCE BETWEEN BERLINGUER AND  
DUBCEK WAS THAT THE RUSSIANS COULD GET THEIR HANDS ON

DUBCEK. OBVIOUSLY, THAT INCREASES THE SPD'S INTEREST  
IN BERLINGUER.

6. SOME ELEMENTS OF THE SPD HAVE CONSIDERABLE SYMPATHY  
FOR THE PCI. THEY BELIEVE THE PCI IS EVOLVING AWAY FROM  
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A TRADITIONAL COMMUNIST PARTY IN A DIRECTION THAT THE  
WEST SHOULD REGARD WITH FAVOR. BRANDT AND PARTICULARLY  
EHMKE HAVE MADE CONTACT WITH THE PCI OUTSIDE THE SEGRE  
CHANNEL, THOUGH BRANDT HAS PUT A STOP TO SUCH CONTACTS  
BEFORE THE GERMAN ELECTIONS. SUCH PARTY INTELLECTUALS  
AS BRUNO FRIEDRICH, OR SUCH RELATED FIGURES AS KARL  
KAISER AND THEO SOMMER, BELIEVE THE RECENT POSITIONS  
THAT BERLINGUER HAS TAKEN REFLECT MORE THAN ELECTIONEER-  
ING TACTICS. THEY HAVE WRITTEN THIS, AND PROBABLY TOLD  
IT TO SENIOR SPD FIGURES. THEY ALSO BELIEVE THAT THE  
PCI, UNLIKE THE PCF, IS PRO-EUROPEAN AND AT LEAST NOT  
ANTI-GERMAN. BUT THOSE SAME PEOPLE OBSERVE THAT A DE-  
CISION TO FORBID AID TO AN ITALIAN GOVERNMENT WITH  
COMMUNIST PARTICIPATION WOULD BE WELL RECEIVED BY THE  
SPD-AFFILIATED WORKERS WHO, LIKE MOST GERMANS, ARE  
DEEPLY DISTRUSTFUL OF COMMUNISM OF ANY KIND, AND THAT  
NO GERMAN GOVERNMENT OR PARTY COULD TAKE ANY DIFFERENT  
STAND IN AN ELECTION YEAR. THEREFORE, SPD FIGURES  
INTERESTED IN CLOSER DEALINGS WITH THE PCI TEND TO VIEW  
RELATIONS IN LONG-RANGE TERMS. THEY BELIEVE THAT  
SCHMIDT'S WASHINGTON REMARKS MUST SET THE TONE DURING  
THE ELECTION CAMPAIGN; THEY EVEN BELIEVE THOSE REMARKS  
CAN HELP THE SPD IN THE CAMPAIGN, THOUGH THE CIRCUM-  
STANCES UNDER WHICH THE REMARKS WERE MADE HAVE DRAWN  
HEAVY FIRE UPON SCHMIDT'S HEAD.

7. THE CHRISTIAN DEMOCRATS MAY HAVE GIVEN MONEY TO THE  
DC, THOUGH WE HAVE HEARD CONFLICTING REPORTS ON THAT.  
THEY HAVE UNDOUBTEDLY PROVIDED POLITICAL ADVICE, WHICH  
WE SUSPECT WAS NOT ACCEPTED. THE CHRISTIAN DEMOCRATS  
ARE NOT OPTIMISTIC THAT ANY ASSISTANCE CAN HAVE MUCH  
IMPACT WITHOUT DC REFORMS. CDU DIRECTOR GENERAL BIEDEN-  
KOPF MAINTAINS CONTACT WITH THE DC SECRETARY GENERAL  
AND, THROUGH THIS CHANNEL AS WELL AS OTHERS, THE CDU  
CONTINUES TO PRESS QUIETLY FOR SUCH REFORMS. EVEN THE  
CDU, HOWEVER, HAS TALKED TO THE PCI, IN THE FORM OF A  
VERY DISCREET SCHROEDER-SEGRE MEETING THAT THE SPD TOLD  
US IT MIGHT LEAK IF THE CDU TRIED TOO HARD TO TARNISH  
THE SPD WITH RED ITALIAN ASSOCIATIONS.

8. THE FREE DEMOCRATS (FDP) ARE ALSO DOING THEIR  
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SHARE. AN FDP FIGURE HAS TOLD US THAT THE FDP IS TRYING TO INCREASE THE WEIGHT OF THE LIBERAL ELEMENT IN ITALIAN POLITICS BY URGING THE AMALGAMATION OF THE ITALIAN LIBERAL AND REPUBLICAN PARTIES. THEY HOPE THAT THIS WILL GIVE LIBERAL OPINION A LARGER VOICE. THE FDP IS ALSO, ACCORDING TO THIS OFFICIAL, USING THE LIBERAL INTERNATIONAL TO PRESS THE ITALIANS FOR MORE EFFECTIVE OPPOSITION TO THE COMMUNISTS.

9. EVEN THE GERMAN GOVERNMENT EXPERTS ON ITALIAN POLITICS DISAGREE ABOUT WHAT IS LIKELY TO HAPPEN. FOR EXAMPLE, THE ITALIAN DESK OFFICER HAS TOLD US THAT COMMUNIST PARTICIPATION IN AN ITALIAN GOVERNMENT IS UNLIKELY BECAUSE THE DC "WON" WITH A FIRM ANTI-COMMUNIST LINE, BUT THAT THE DC IS WORKING FOR AT LEAST THE TACIT SUPPORT OF THE PCI BY DOING SUCH THINGS AS SUPPORTING INGRAO FOR THE PRESIDENCY OF THE CHAMBER OF DEPUTIES. THE SAME OFFICIAL IS STILL NOT COMPLETELY READY TO REVOUDE A DC-PSI GOVERNMENT BUT SEES LITTLE CHNCE THAT SUCH A GOVERNMENT COULD ACCOMPLISH VERY MUCH BECAUSE "BOTH PARTIES ARE EQUALLY CORRUPT."

10. ON THE OTHER HAND, A SENIOR FOREIGN OFFICE PLANNER HAS TOLD US THAT HE WOULD NOT BE SURPRISED AT COMMUNIST PARTICIPATION IN THE ITALIAN GOVERNMENT WITHIN A YEAR OR SLIGHTLY LONGER. HE HAS BEEN TOLD BY ITALIANS THAT

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TRSE-00 INR-05 CIAE-00 PM-03 DODE-00 PRS-01 USIA-01

SAJ-01 L-01 /046 W

----- 108280

R 221751Z JUL 76  
FM AMEMBASSY BONN  
TO SECSTATE WASHDC 0621  
INFO AMEMBASSY BRUSDOS  
AMEMBASSY COPENHAGEN  
RUDKGPQAAMEMBASSY THE HAGUE TYWE  
AMEMBASSY LISBON  
AMEMBASSY LONDON  
AMEMBASSY LUXEMBOURG  
AMEMBASSY OTTAWA  
AMEMBASSY PARIS  
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THE PCI COULD NOT NOW JOIN THE GOVERNMENT BECAUSE OF  
THE IMPENDING US AND GERMAN ELECTIONS, BECAUSE THE DC  
NEEDED TIME TO STRENGTHEN ITSELF, AND BECAUSE THE PCI  
NEEDED TIME TO ESTABLISH MORE CONTACTS INTERNATIONALLY  
AND DOMESTICALLY. ACCORDING TO THESE SOURCES, THE  
ITALIAN GOVERNMENT WOULD TEMPORIZE WITH A "LOMBARDIAN  
SOLUTION," WHICH THEY DESCRIBE AS PCI PARLIAMENTARY  
POWER AND DC EXECUTIVE POWER,HBUT THAT THE PCI WOULD  
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ENTER THE GOVZRNMNT FORMALLY WHEN CONDITIONS WERE RIPE.

11. THE DILEMMA OF THE SPD AND OF THE GERMAN GOVERNMENT  
IS THAT THEY WANT TO HELP BUT DO NOT WANT TO POUR GOOD  
MONEY AFTER BAD WHEN THERE IS NO INDICATION THAT THEIR  
ASSISTANCE WILL PRODUCE POSITIVE CHANGE. A PRINCIPAL  
REASON WHY THE FRG FAVORS IMF AS A CHANNEL FOR AID TO  
ITALY IS BECAUSE THE IMF CAN IMPOSE CERTAIN CONTROLS  
IMPARTIALLY AND WITHOUT NEGATIVE CONSEQUENCES. HOWEVER,  
ACCORDING TO THE FOREIGN OFFICE, THE FRG IS NOT CATE-  
GORICALLY AGAINST CHANNELING AID THROUGH OTHER CHANNELS  
SUCH AS THE EC OR THE OECD.

12. ONE FOREIGN OFFICE OFFICIAL HAS TOLD US THAT  
THE MERE FACT OF COMMUNIST PARTICIPATION IN THE ITALIAN  
GOVERNMENT WOULD CREATE AUTOMATIC REACTIONS FROM

THE FRG, NO MATTER WHAT POLICY IT WISHED TO FOLLOW, SINCE SUCH PARTICIPATION WOULD RESULT IN A MASSIVE FLIGHT OF CAPITAL FROM ITALY. THE RESULT WOULD BE THE END OF CURRENCY CONVERTIBILITY AND LIMITATIONS ON FRG EXPORTS TO THAT COUNTRY. IT SHOULD BE REMEMBERED THAT THE CHIEF JUSTIFICATION FOR FRG SUBSIDY OF EC AGRARIAN POLICIES IS THE OPPORTUNITY FOR GERMAN EXPORTS OF MANUFACTURED PRODUCTS WHICH THE FRG RECEIVES IN RETURN. SHOULD THERE BE SEVERE LIMITATIONS ON THESE EXPORT POSSIBILITIES TO A MAJOR EC MEMBER STATE LIKE ITALY, THE FRG WOULD NO LONGER HAVE ANY REASON TO CONTINUE AGRARIAN SUBSIDIES. THUS WITHOUT ANY OVZRT ACTION ON THE PART OF THE ITALIAN COMMUNISTS, THE SIMPLE FACT OF THEIR PARTICIPATION IN GOVERNMENT WOULD BRING ABOUT A MAJOR CONFRONTATION WITHIN THE EC, ACCORDING TO THIS OFFICIAL.

13. THE PRINCIPAL CURRENT PROBLEM FOR THE GERMAN GOVERNMENT IS TO GET THROUGH THE NEXT THREE MONTHS WITHOUT ANY ITALIAN CRISES THAT COULD REDOUND TO THE FAVOR OF THE OPPOSITION. BEFORE HIS WASHINGTON REMARKS SCHMIDT HAD PROMISED HIS ASSOCIATES THAT HE WOULD MAKE NO MORE COMMENTS ON ITALY DURING THE ELECTION CAMPAIGN, A PLEDGE THAT HE WILL UNDOUBTEDLY REITERATE IF HE HAS NOT DONE SO ALREADY. THE SPD IS UNDOUBTEDLY HOPING

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THAT A NEW GOVERNMENT CAN BE QUIETLY FORMED WITHOUT PCI PARTICIPATION AND CAN MANAGE REASONABLY WELL UNTIL AFTER THE FRG ELECTION. TO THAT END, THE FRG IS PREPARED TO ASSIST IN ANY MANNER THAT CAN BE COMMONLY AGREED, BUT THE INTERNAL GERMAN UNCERTAINTY ABOUT ITALY WILL PROBABLY EMERGE MORE CLEARLY AFTER THE ELECTION HERE.

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## Message Attributes

**Automatic Decaptioning:** Z  
**Capture Date:** 01 JAN 1994  
**Channel Indicators:** n/a  
**Current Classification:** UNCLASSIFIED  
**Concepts:** COALITION GOVERNMENT, GOVERNMENT REACTIONS, ELECTION CAMPAIGNS, COMMUNISTS, POLITICAL SITUATION  
**Control Number:** n/a  
**Copy:** SINGLE  
**Draft Date:** 22 JUL 1976  
**Decaption Date:** 28 MAY 2004  
**Decaption Note:** 25 YEAR REVIEW  
**Disposition Action:** RELEASED  
**Disposition Approved on Date:**  
**Disposition Authority:** BoyleJA  
**Disposition Case Number:** n/a  
**Disposition Comment:** 25 YEAR REVIEW  
**Disposition Date:** 28 MAY 2004  
**Disposition Event:**  
**Disposition History:** n/a  
**Disposition Reason:**  
**Disposition Remarks:**  
**Document Number:** 1976BONN12389  
**Document Source:** CORE  
**Document Unique ID:** 00  
**Drafter:** n/a  
**Enclosure:** n/a  
**Executive Order:** GS  
**Errors:** N/A  
**Film Number:** D760282-0664  
**From:** BONN  
**Handling Restrictions:** n/a  
**Image Path:**  
**ISecure:** 1  
**Legacy Key:** link1976/newtext/t19760734/aaaabddk.tel  
**Line Count:** 370  
**Locator:** TEXT ON-LINE, ON MICROFILM  
**Office:** ACTION EUR  
**Original Classification:** SECRET  
**Original Handling Restrictions:** LIMDIS  
**Original Previous Classification:** n/a  
**Original Previous Handling Restrictions:** n/a  
**Page Count:** 7  
**Previous Channel Indicators:** n/a  
**Previous Classification:** SECRET  
**Previous Handling Restrictions:** LIMDIS  
**Reference:** n/a  
**Review Action:** RELEASED, APPROVED  
**Review Authority:** BoyleJA  
**Review Comment:** n/a  
**Review Content Flags:**  
**Review Date:** 01 APR 2004  
**Review Event:**  
**Review Exemptions:** n/a  
**Review History:** RELEASED <01 APR 2004 by greeneet>; APPROVED <03 AUG 2004 by BoyleJA>  
**Review Markings:**

Margaret P. Grafeld  
Declassified/Released  
US Department of State  
EO Systematic Review  
04 MAY 2006

**Review Media Identifier:**  
**Review Referrals:** n/a  
**Review Release Date:** n/a  
**Review Release Event:** n/a  
**Review Transfer Date:**  
**Review Withdrawn Fields:** n/a  
**Secure:** OPEN  
**Status:** NATIVE  
**Subject:** THE GERMAN GOVERNMENT AND POLITICAL PARTIES VIEW ITALIAN DEVELOPMENTS  
**TAGS:** PFOR, IT, GE, NATO, EEC, (SCHMIDT, HELMUT)  
**To:** STATE  
**Type:** TE  
**Markings:** Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 04 MAY 2006